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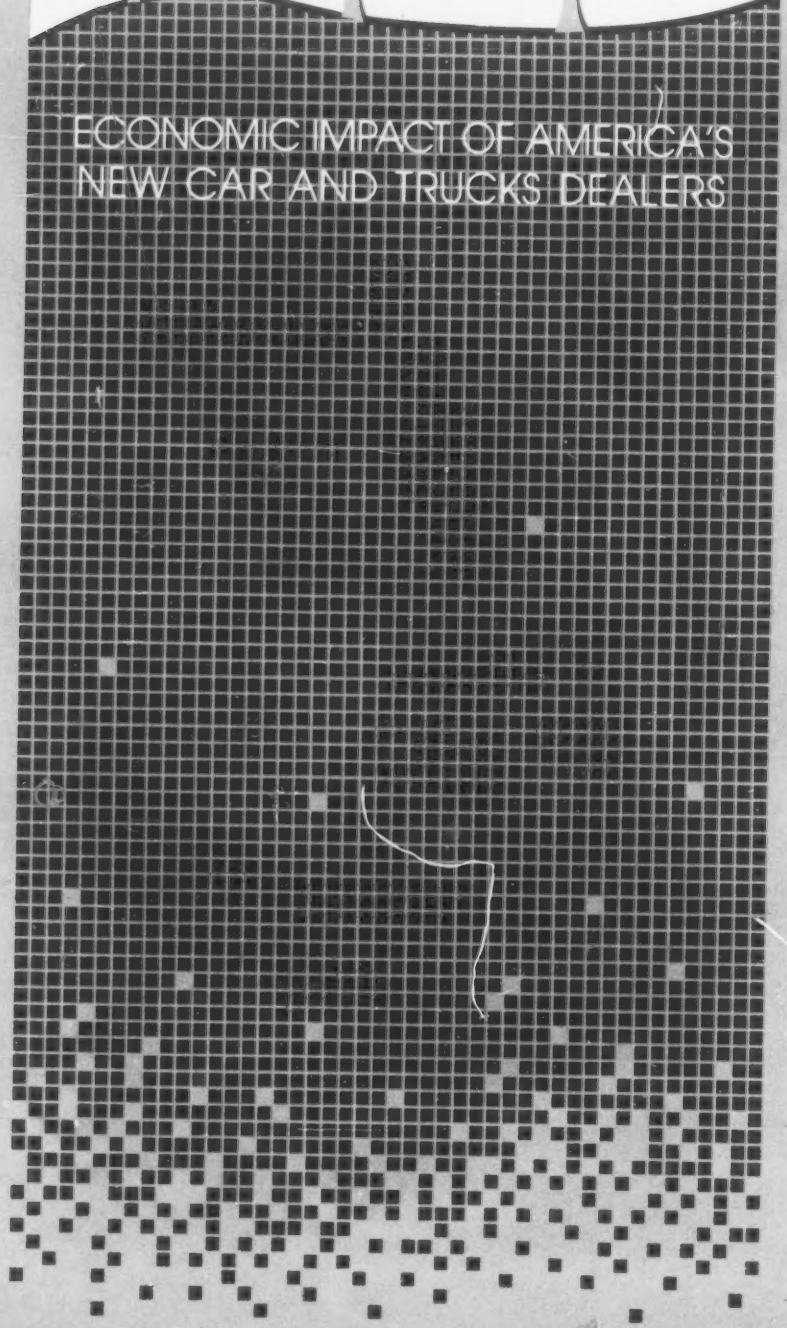
NADA DATA 1988

ECONOMIC IMPACT OF AMERICA'S NEW CAR AND TRUCKS DEALERS



Introduction

This, the 1988 edition of the NADA Data, provides evidence that even when new car and truck sales are at less than robust levels, America's franchised new car and truck dealers play a significant role in the overall U.S. economy.

New vehicle sales, after reaching a record 16.3 million units in 1986, fell 7% last year to 15.2 million units. Nevertheless, total dealership dollar sales rose to a high of $267 billion as dealerships made advances in both the used vehicle and service and parts departments.

Aided by that rise in dollar sales, dealerships were able to increase overall employment levels in 1987 as well. Indeed, over the past five years, total dealership employment has risen 27% resulting in the creation of over 192,000 new jobs. The total payroll for all dealerships in 1987 was $21.6 billion.

The total economic impact of the nation's dealers goes far beyond employment levels and the sale and service of vehicles, however. Dealers also spend large sums of money in their local communities in order to successfully operate their businesses. In 1987, dealers had total expenditures (excluding cost of goods sold) of $35.4 billion. Some typical expenditures include: advertising ($3.5 billion), rent and equivalent ($2.9 billion), floorplan interest ($1.7 billion) and heat, light and power ($0.7 billion). In addition, the franchised dealer is a major source of tax revenue and, in most cases, a principal contributor of time and money to local charities.

Frank E. McCarthy
Executive Vice President
National Automobile Dealers Association

STATISTICAL NOTE

Many of the tables in this publication are based either directly on, or made to conform to, total franchised dealership dollar sales as reported by the U.S. Department of Commerce, Bureau of the Census. In the annual benchmark revisions that the Bureau makes in April, dealership dollar sales were reduced approximately 6 percent for both 1986 and 1987. NADA's own research and data base indicate, however, that the Bureau's revised numbers significantly understate the level of dealership dollar sales. We are currently working with the Commerce Department to resolve these discrepancies.

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NADA DATA

TOTAL DEALERSHIP SALES

Due to last year's 7 percent decline in new-vehicle sales and only modest price increases, the average dealership, for the first time in seven years, reported virtually no increase in total dollar sales. Nevertheless, over the past six years, the average dealership's total dollar sales have nearly doubled.

Dealers were able to maintain sales at last year's pace only because of significant increases in both the used vehicle and service and parts departments. NADA figures indicate, however, that only the service and parts department was able to record an increase in the actual volume of work performed. Used unit sales decreased a slight 0.4 percent for the average dealership, while the number of repair orders written rose 2.4 percent.

Total gross and expense

In 1987, gross as a percent of sales increased sharply, but this was primarily because of the changing mix of sales between departments. In the new vehicle department, gross as a percent of sales continued to slide, reflecting the long-term trend of dealerships to become increasingly large businesses operating on increasingly thin margins.

Some representive major expenses for the average dealership in 1987 were as follows:

Total payroll	$865,000
Advertising	139,600
Rent and equivalent	117,000
Floor plan interest	69,300

Total dealership profits

Last year's decline in new-vehicle sales brought dealership profits below the 2 percent level for the first time since 1982. In constant dollar terms, profits for the average dealership fell in excess of 15 percent.

Nevertheless, dealership profitability as measured by return on equity remained healthy, especially if one considers the cost of money. Deducting the average yield on one-year Treasury bills from the dealer's net profit before tax as a percent of net worth shows that in 1980 the average dealer had a negative return, while in 1987, this measure of profitability remained above 20 percent.

AVERAGE DEALERSHIP PROFILE

	1981	1982	1983	1984	1985	1986	1987	% Change 1986-87
Total Dealership Sales ($)	5,524,979	6,136,755	7,596,668	9,063,567	10,010,628	10,585,313	10,653,719	0.65
Total Dealership Gross ($)	817,143	851,782	1,043,023	1,222,675	1,430,519	1,502,056	1,614,038	7.46
As % of Total Sales	14.79	13.88	13.73	13.49	14.29	14.19	15.15	
Total Dealership Expense ($)	753,054	722,004	880,454	1,025,089	1,210,285	1,273,413	1,413,748	11.02
As % of Total Sales	13.63	12.58	11.59	11.31	12.09	12.03	13.27	
Net Profit Before Taxes ($)	64,090	79,778	162,569	197,586	220,234	228,643	200,290	−12.40
As % of Total Sales	1.16	1.30	2.14	2.18	2.20	2.16	1.88	
(Net Pretax Profit in Constant 1967 Dollars)	23,531	27,593	54,476	63,512	68,353	69,623	58,840	−15.49
New-Vehicle Dept. Sales ($)	3,375,757	3,767,967	4,816,228	5,927,573	6,757,174	7,123,916	6,786,419	− 4.74
As % of Total Sales	61.10	61.40	63.40	65.40	67.50	67.30	63.70	
Used-Vehicle Dept. Sales ($)	1,265,218	1,399,180	1,709,250	1,930,540	1,962,083	2,106,477	2,365,126	12.28
As % of Total Sales	22.90	22.80	22.50	21.30	19.60	19.90	22.20	
Service and Parts Sales ($)	883,995	969,607	1,071,130	1,205,454	1,291,371	1,354,920	1,502,174	10.87
As % of Total Sales	16.00	15.80	14.10	13.30	12.90	12.80	14.10	
New Vehicles Average Selling Price ($)	8,850	9,910	10,725	11,100	11,925	12,950	13,450	3.86
Average Net Worth ($) (As of 12/31)	385,015	421,480	548,496	553,331	623,715	607,304	707,418	16.48
Net Profit as % of Net Worth	16.65	18.93	29.64	35.71	35.31	37.65	28.31	

Source: NADA Industry Analysis

NADA OPTIMISM INDEX

For the past eleven years, NADA's Industry Analysis Division has conducted a quarterly survey of the profit expectations of new-car and truck dealers for the succeeding twelve months. The survey results have closely matched dealers' actual profit experience and have also served as a barometer of national economic trends.

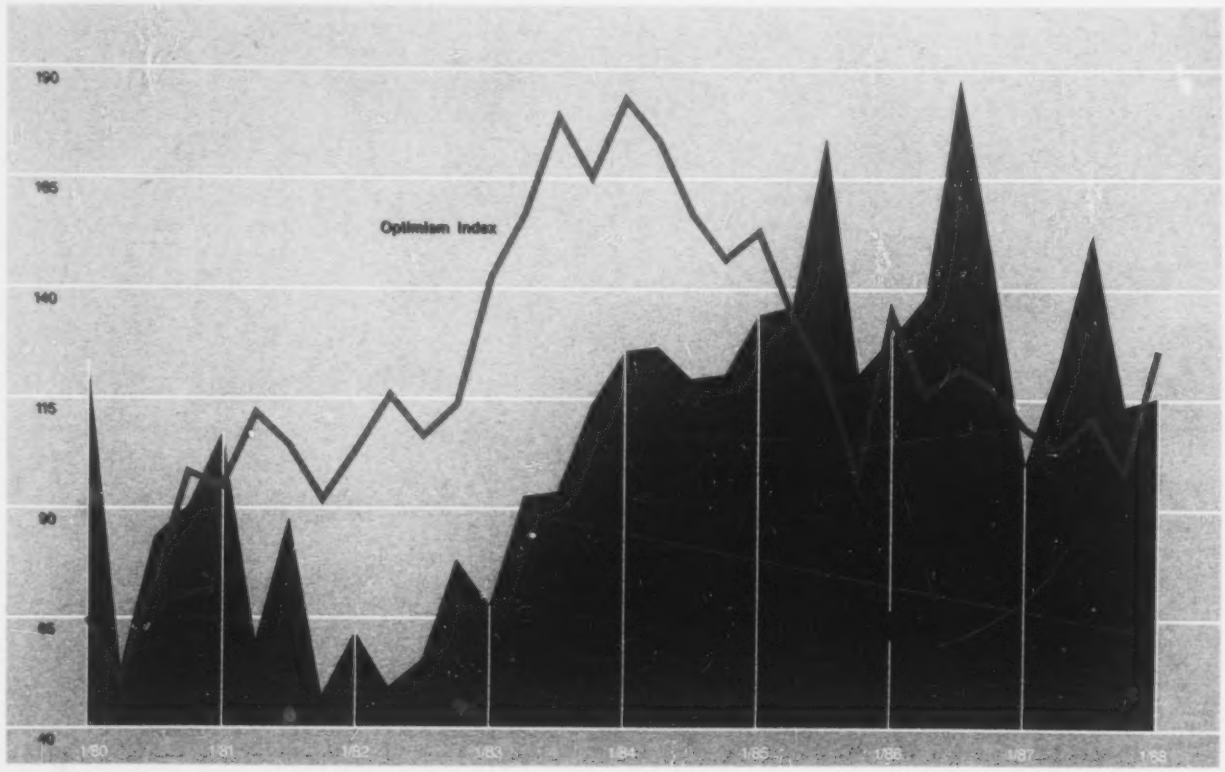
During 1987, the NADA Optimism Index rose from a level of 108 to 125. Although considerably less than its previous peak of 180, the current level of dealer optimism indicates that dealers expect new-vehicle sales to remain relatively strong in 1988.

The chart below shows that the Dealer Optimism Index can be quite useful in predicting turning points in new-car sales. Throughout 1981 and 1982, when many industry analysts were constantly predicting an imminent turnaround in new vehicle sales, dealers showed no significant increase in optimism. In retrospect it can be noted that the low level of dealer optimism was well-founded. The NADA Optimism Index began to rise in early 1983 and subsequently new-car sales began to improve, reaching a peak in 1986.

EXPECTATIONS FOR DEALERSHIP PROFITS
Percent of Respondents

	Increase	No Change	Decline	Index Value
4/76	57.7	35.4	6.9	163
4/77	46.9	43.8	9.3	146
4/78	35.4	51.2	13.4	126
4/79	29.0	50.5	20.4	112
4/80	9.2	25.4	65.3	51
4/81	30.0	51.5	18.6	111
4/82	33.4	47.5	19.2	115
4/83	54.4	38.1	7.5	155
4/84	60.0	36.1	3.9	171
4/85	41.6	44.6	13.8	133
7/85	34.2	49.0	16.8	119
10/85	15.9	66.2	17.9	97
1/86	39.6	48.3	12.1	133
4/86	33.3	44.6	22.1	115
7/86	33.2	51.2	15.7	121
10/86	31.1	51.7	17.2	114
1/87	26.8	52.2	21.0	108
4/87	29.3	43.1	27.6	103
7/87	30.8	45.8	23.4	110
10/87	23.7	50.0	26.3	98
1/88	35.5	49.7	14.8	125

OPTIMISM INDEX VS. NEW-CAR SALES



NUMBER OF FRANCHISED NEW-CAR DEALERSHIPS

For the past three years, the nation's total dealership count has remained relatively constant as the loss of smaller domestic points has been offset by the dealerships created to handle newly introduced import lines.

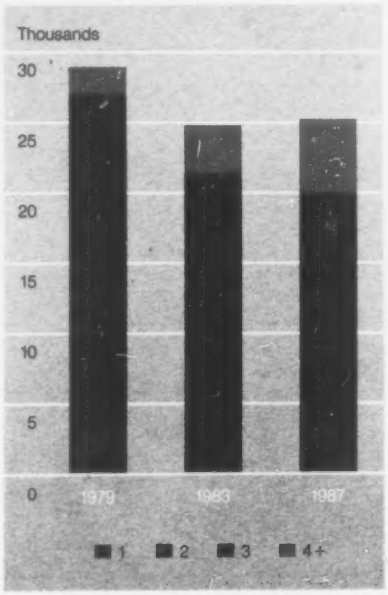
Although the dealership count has remained steady, the dealer principal count has continued to fall. NADA figures indicate that the nation's 25,000 dealerships are owned by 17,000 dealer principals. In 1979, before the significant trend to chain dealerships, NADA estimated that 28,850 dealerships were controlled by 25,100 dealer principals. So, during this eight-year period, the dealer principal count has fallen by almost a third.

The two graphics on this page further reflect that the multiple-dealership operator is fast becoming the rule rather than the exception. Nearly half of all dealerships are currently part of a chain (if "chain" is used in its least restrictive sense to mean two or more dealerships) and more than 20 percent of all dealerships are part of a four-or-more dealership chain.

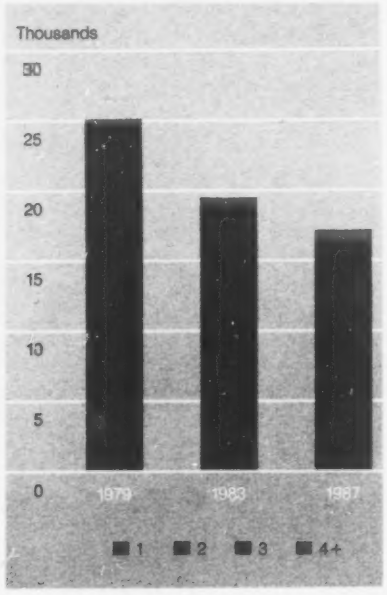
TOTAL NUMBER OF DEALERSHIPS
(as of January 1)

1978	29,000
1979*	28,850
1980	28,250
1981	26,600
1982	25,700
1983	24,725
1984	24,725
1985	24,725
1986	25,100
1987	25,150
1988	25,000

DISTRIBUTION OF DEALERSHIPS
(By Number of Dealerships in Group)



DISTRIBUTION OF DEALER PRINCIPALS
(By Number of Dealerships They Control)



ESTIMATED NUMBER OF FRANCHISED NEW-CAR DEALERSHIPS
By State as of January 1, 1988

Alabama	370	Montana	165
Alaska	40	Nebraska	280
Arizona	220	Nevada	77
Arkansas	350	New Hampshire	182
California	1,855	New Jersey	804
Colorado	285	New Mexico	148
Connecticut	385	New York	1,415
Delaware	74	North Carolina	763
D.C.	10	North Dakota	159
Florida	925	Ohio	1,160
Georgia	655	Oklahoma	420
Hawaii	56	Oregon	315
Idaho	145	Pennsylvania	1,585
Illinois	1,250	Rhode Island	96
Indiana	700	South Carolina	338
Iowa	545	South Dakota	162
Kansas	390	Tennessee	455
Kentucky	365	Texas	1,515
Louisiana	385	Utah	156
Maine	205	Vermont	110
Maryland	383	Virginia	640
Massachusetts	615	Washington	390
Michigan	875	West Virginia	260
Minnesota	575	Wisconsin	735
Mississippi	315	Wyoming	82
Missouri	615	**Total U.S.**	**25,000**

Source: NADA Industry Analysis Division

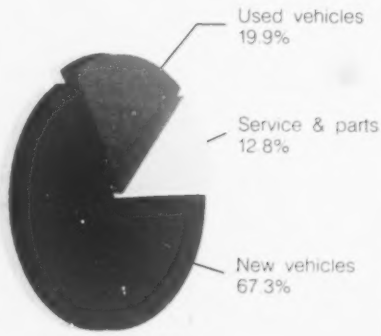
TOTAL DEALERSHIP SALES DOLLARS

Total dollar sales of all franchised new-car dealerships reached a record $267.1 billion in 1987, up less than 1 percent from 1986. The slight dollar sales increase was achieved in spite of lower unit sales for both the new- and used-vehicle departments.

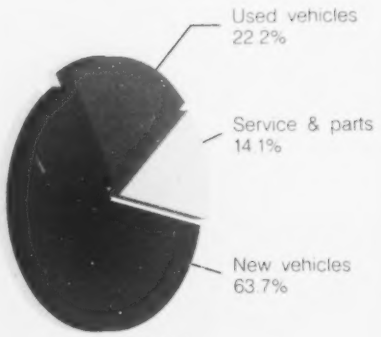
The chart to the bottom right shows that the average dealership size varies significantly among the states. Six states had average dealership sales that were less than half the national average while five states had average dealership sales that were at least 50 percent greater than the national average.

SHARE OF TOTAL DEALERSHIP SALES DOLLARS

(By Department)

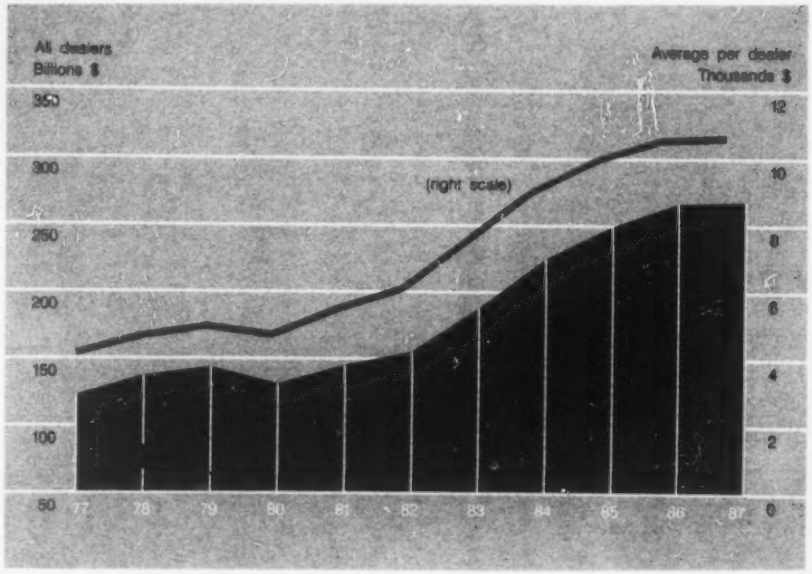


1986



1987

TOTAL SALES OF FRANCHISED NEW-CAR DEALERS



1987 TOTAL SALES BY STATE

State	All dealers ($ Millions)	Average per dealer ($ Thousands)	State	All dealers ($ Millions)	Average per dealer ($ Thousands)
Alabama	4,125	11,147	Montana	728	4,413
Alaska	327	8,181	Nebraska	1,362	4,866
Arizona	3,899	17,722	Nevada	1,474	19,149
Arkansas	1,949	5,567	New Hampshire	1,565	8,598
California	30,762	16,583	New Jersey	10,499	13,058
Colorado	3,517	12,340	New Mexico	1,370	9,258
Connecticut	4,645	12,064	New York	15,192	10,736
Delaware	905	12,236	North Carolina	7,350	9,633
D.C.	142	14,218	North Dakota	714	4,488
Florida	18,773	20,295	Ohio	12,021	10,363
Georgia	8,195	12,512	Oklahoma	3,839	9,140
Hawaii	819	14,629	Oregon	2,813	8,929
Idaho	805	5,555	Pennsylvania	12,805	8,079
Illinois	12,927	10,342	Rhode Island	1,082	11,271
Indiana	5,893	8,419	South Carolina	3,285	9,720
Iowa	2,765	5,074	South Dakota	732	4,517
Kansas	2,240	5,744	Tennessee	5,692	12,511
Kentucky	3,039	8,325	Texas	16,699	11,022
Louisiana	3,438	8,930	Utah	1,423	9,122
Maine	1,377	6,717	Vermont	685	6,224
Maryland	6,249	16,315	Virginia	7,746	12,103
Massachusetts	7,873	12,802	Washington	3,925	10,065
Michigan	10,708	12,238	West Virginia	1,644	6,324
Minnesota	4,391	7,637	Wisconsin	4,901	6,669
Mississippi	1,980	6,285	Wyoming	411	5,015
Missouri	5,442	8,848	**Total U.S.**	**267,142**	**10,654**

Source: NADA Industry Analysis Division

RELATIONSHIP OF FRANCHISED NEW-CAR DEALERS TO TOTAL RETAIL TRADE

	Number of Dealers as % of Total Retail Establishments in the State	Dealer Sales as % of Total Retail Sales in the State	Dealer Payroll as % of Total Retail Payroll in the State	Dealer Employees as % of Total Retail Employment in the State
Alabama	1.9%	22.0%	12.8%	5.4%
Alaska	1.1%	8.0%	9.7%	4.5%
Arizona	1.3%	20.9%	13.4%	5.1%
Arkansas	2.8%	17.5%	11.5%	5.3%
California	1.3%	17.0%	12.3%	4.8%
Colorado	1.5%	15.9%	12.4%	5.2%
Connecticut	2.1%	21.3%	12.9%	5.6%
Delaware	1.7%	19.1%	14.5%	5.8%
D.C.	0.3%	2.6%	3.2%	0.9%
Florida	1.2%	21.9%	13.3%	5.1%
Georgia	1.9%	23.4%	12.2%	4.8%
Hawaii	1.0%	10.3%	7.1%	3.0%
Idaho	2.4%	16.7%	12.8%	6.0%
Illinois	2.2%	18.2%	11.1%	4.4%
Indiana	2.2%	17.8%	12.2%	5.0%
Iowa	3.0%	16.4%	11.9%	5.4%
Kansas	2.4%	17.1%	12.5%	5.5%
Kentucky	2.0%	16.2%	10.9%	4.8%
Louisiana	1.6%	13.8%	12.0%	5.3%
Maine	2.6%	18.6%	11.5%	5.8%
Maryland	1.5%	19.4%	13.5%	5.5%
Massachusetts	1.7%	17.7%	11.0%	4.4%
Michigan	1.9%	19.0%	13.6%	5.1%
Minnesota	2.3%	15.6%	10.9%	4.5%
Mississippi	2.3%	16.4%	12.8%	5.5%
Missouri	2.2%	17.3%	11.8%	4.9%
Montana	2.7%	15.0%	12.4%	5.9%
Nebraska	2.6%	15.6%	10.8%	4.8%
Nevada	1.4%	18.2%	13.8%	5.3%
New Hampshire	2.4%	18.9%	14.2%	5.9%
New Jersey	1.8%	19.5%	12.3%	5.0%
New Mexico	1.9%	16.0%	12.5%	5.4%
New York	1.5%	14.1%	8.9%	3.8%
North Carolina	2.0%	19.6%	12.1%	5.2%
North Dakota	3.3%	17.6%	16.1%	7.2%
Ohio	2.1%	19.1%	11.7%	5.0%
Oklahoma	2.3%	19.1%	12.5%	5.4%
Oregon	1.8%	17.4%	12.1%	5.6%
Pennslyvania	2.4%	17.6%	12.3%	5.5%
Rhode Island	1.5%	18.8%	9.0%	3.9%
South Carolina	1.7%	18.0%	12.3%	5.3%
South Dakota	2.9%	17.5%	13.5%	5.6%
Tennessee	1.8%	20.8%	12.6%	5.3%
Texas	1.6%	15.6%	12.0%	5.0%
Utah	1.9%	10.8%	12.0%	4.9%
Vermont	2.5%	11.4%	13.1%	5.9%
Virginia	2.0%	18.8%	14.0%	5.9%
Washington	1.6%	10.4%	10.9%	4.7%
West Virginia	2.9%	12.2%	13.2%	6.7%
Wisconsin	2.5%	17.2%	11.9%	4.9%
Wyoming	2.7%	10.9%	13.3%	5.8%
Total U.S.	**1.9%**	**17.7%**	**12.0%**	**4.9%**

Source: NADA Industry Analysis Division

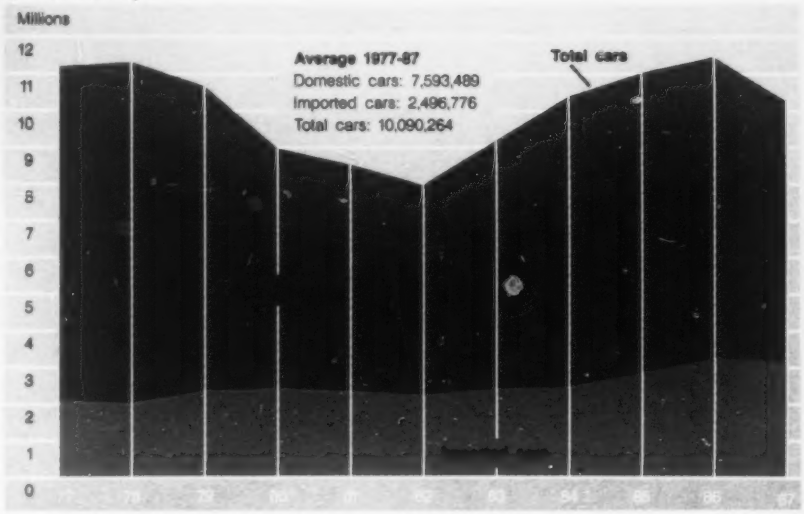
THE NEW-VEHICLE DEPARTMENT

After four years of increases, new car sales fell more than 10 percent in 1987. Sales of imported makes declined a more modest 1.5 percent and, as a result, their market share reached a record 31.1 percent.

The chart below shows that all domestic manufacturers, except Ford, lost market share in 1987. The market share of "other" imports (which includes the non-Big Three Japanese exporters plus European and Korean exporters) has grown rapidly in recent years and is now more than twice its 1978 level.

As shown in the chart to the top right, new-car sales show tremendous volatility between months. Sales, on a seasonally adjusted annual basis, peaked in September of 1986 because of the massive finance incentive program that manufacturers offered to clear out old models. Not unrelatedly, sales in October and November were low due to the inevitable backlash that

NEW PASSENGER-CAR SALES
(Annual Totals)



MARKET PENETRATION
Share of Total U.S. New Car Sales

Year	AMC	Chrysler	Ford	General Motors	Volkswagen	Nissan	Honda	Toyota	Other Imports	Total
1978	170,739 1.51%	1,146,258 10.13%	2,582,702 22.83%	5,385,282 47.61%	242,241 2.14%	339,364 3.00%	274,876 2.43%	441,800 3.91%	727,149 6.43%	11,310,411
1979	162,057 1.52%	942,205 8.84%	2,140,368 20.08	4,917,911 46.13%	295,293 2.77%	472,252 4.43%	353,291 3.31%	507,816 4.76%	869,158 8.15%	10,660,351
1980	149,438 1.66%	660,017 7.35%	1,475,231 16.43%	4,116,482 45.85%	269,466 3.00%	516,890 5.76%	375,388 4.18%	582,195 6.48%	833,477 9.28%	8,978,584
1981	136,682 1.60%	729,873 8.55%	1,380,600 16.18%	3,796,696 44.49%	244,910 2.87%	464,806 5.45%	370,705 4.34%	576,491 6.76%	832,372 9.88%	8,533,135
1982	112,433 1.41%	691,703 8.67%	1,345,698 16.87%	3,515,660 44.06%	159,529 2.00%	470,246 5.89%	365,865 4.58%	530,246 6.64%	788,365 9.88%	7,979,745
1983	193,351 2.11%	841,622 9.17%	1,571,321 17.11%	4,053,561 44.15%	162,065 1.77%	521,902 5.68%	401,072 4.37%	555,766 6.05%	881,411 9.60%	9,182,071
1984	190,255 1.83%	986,998 9.50%	1,979,317 19.05%	4,587,508 44.15%	177,317 1.71%	485,298 4.67%	508,420 4.89%	557,981 5.37%	917,256 8.83%	10,390,350
1985	123,449 1.12%	1,139,936 10.32%	2,070,392 18.75%	4,607,458 41.73%	218,241 1.98%	575,166 5.21%	552,389 5.00%	620,043 5.62%	1,135,041 10.28%	11,042,115
1986	72,849 0.64%	1,173,463 10.24%	2,066,507 18.03%	4,532,798 39.56%	217,206 1.90%	553,849 4.83%	693,515 6.05%	640,185 5.59%	1,508,973 13.17%	11,459,345
1987	NA NA	962,057 9.36%	2,019,783 19.65%	3,555,538 34.59%	191,705 1.87%	576,663 5.61%	738,306 7.18%	630,052 6.13%	1,603,845 15.60%	10,277,949
Average 1978-1987	NA NA	927,413 9.29%	1,863,192 18.67%	4,306,889 43.15%	217,797 2.18%	497,644 4.99%	463,383 4.64%	564,258 5.65%	1,009,705 10.12%	9,981,406

Note. The captive import sales of GM, Ford, and Chrysler are included under "Other Imports."

follows such temporary incentives. Sales in December of 1986, which were stimulated by a rush to purchase before the loss of the sales tax deduction, reduced the sales rate in January of 1987.

The chart below shows that the average selling price of a new vehicle rose less than 4 percent in 1987. The selling figures represent actual transactions during the calendar year and in no way attempt to control for quality or model mix changes. The selling price figures include all accessories and other items, such as service contracts, that are included with the purchase of the vehicle.

The chart at the bottom right shows that domestic new-car inventories increased slightly in terms of both actual units and days' supply in 1987. Import new car inventories were almost double their 1985 levels as the Japanese voluntary export restraints became less restraining.

AVERAGE NUMBER OF NEW VEHICLES SOLD PER DEALER AND AVERAGE SELLING PRICE PER VEHICLE

Year	New vehicles sold	Average vehicle selling price
1977	498	$ 6,120
1978	518	6,470
1979	482	6,950
1980	408	7,530
1981	404	8,850
1982	411	9,910
1983	493	10,725
1984	574	11,100
1985	621	11,925
1986	639	12,950
1987	594	13,450

Source: NADA Industry Analysis Division

NEW-CAR SALES BY MONTH

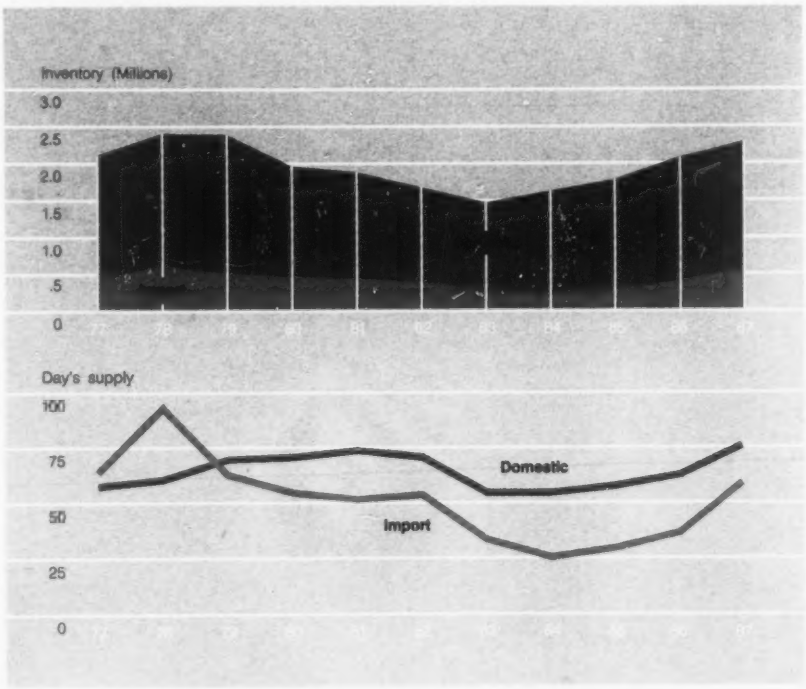
Seasonally Adjusted Annual Rate

	1987 Actual	1987 SAAR* (in millions)	1986 Actual	1986 SAAR* (in millions)	% Change 1985-1986
January	625,500	8.1	873,000	11.2	-28.4%
February	781,000	10.2	832,100	10.8	- 6.1%
March	934,700	10.3	896,800	9.9	4.2%
April	937,800	10.5	972,700	11.0	- 3.6%
May	886,700	9.6	1,072,100	11.0	-17.3%
June	942,900	10.1	1,001,000	10.9	- 5.8%
July	912,900	10.5	954,100	10.7	- 4.3%
August	967,500	12.4	952,200	12.5	1.6%
September	905,200	11.7	1,217,000	15.6	-25.6%
October	802,400	9.3	908,700	10.3	-11.7%
November	736,800	9.9	784,500	10.6	- 6.1%
December	844,500	10.9	995,100	13.0	-15.1%
Full Year	**10,277,900**	**10.3**	**11,459,300**	**11.5**	**-10.3%**

*Seasonally Adjusted Annual Rate

NEW-CAR INVENTORIES & DAYS' SUPPLY

(Yearly Average)



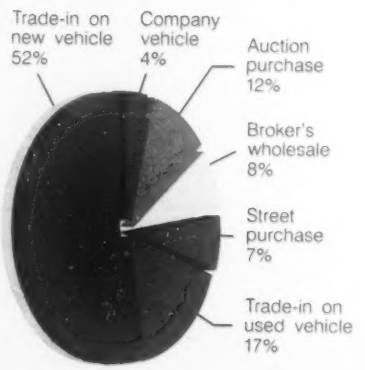
THE USED-VEHICLE DEPARTMENT

Although used unit sales declined in 1987, the contraction was not as severe as that for new vehicles and, as a result, the used vehicle department became a more important revenue and profit source for the average dealer.

Last year, the used vehicle department accounted for over 22 percent of total dealership sales versus a level of just under 22 percent in 1986. After increasing from 7 percent in 1985 to 14 percent in 1986, the share of total dealership profits accounted for by the used vehicle department rose to 20 percent in 1987.

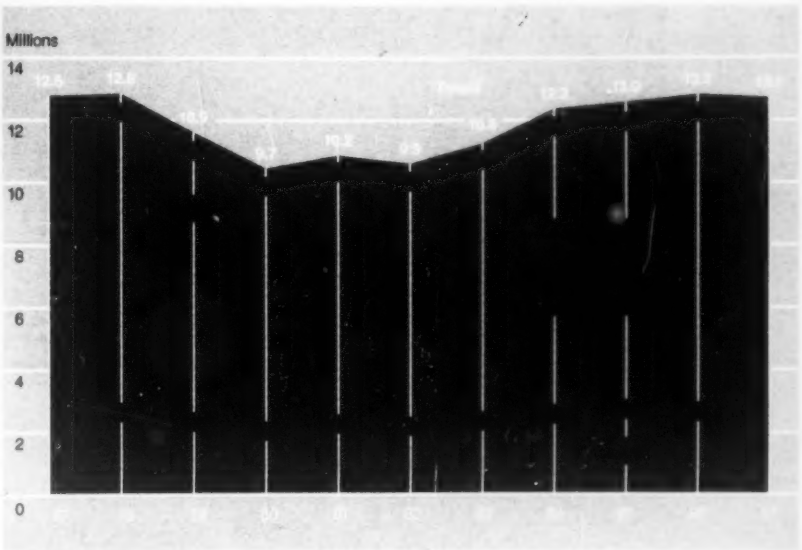
NADA surveys also provide the following distribution of used units retailed by model year for franchised dealers in 1987:

SOURCE OF USED CARS RETAILED BY FRANCHISED DEALERS

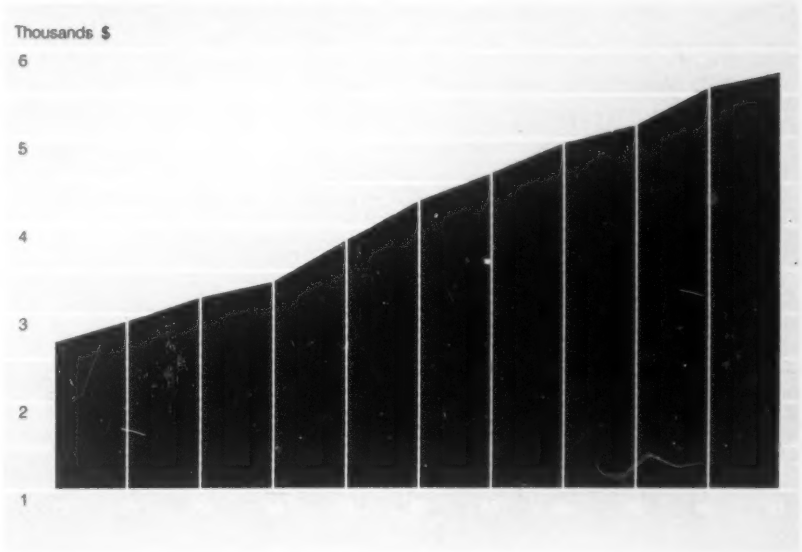


MODEL YEAR	PERCENT OF TOTAL SALES
1987	6.3%
1986	15.7%
1985	18.3%
1984	18.2%
1983	10.7%
1982	7.7%
1981 & prior	23.1%

USED-VEHICLE SALES BY FRANCHISED NEW-CAR DEALERS



AVERAGE SELLING PRICE OF USED CARS RETAILED BY FRANCHISED NEW-CAR DEALERS



THE SERVICE AND PARTS DEPARTMENT

Relatively high new-vehicle sales during the past five years has increased the number of newer models on the road. This, coupled with increasing service contract sales, has led to a resurgence in the dealer's service and parts business. In 1987, service and parts accounted for 14 percent of total dealership revenue and for almost 20 percent of total net profit.

FRANCHISED NEW-CAR DEALERS' SERVICE AND PARTS SALES, 1987

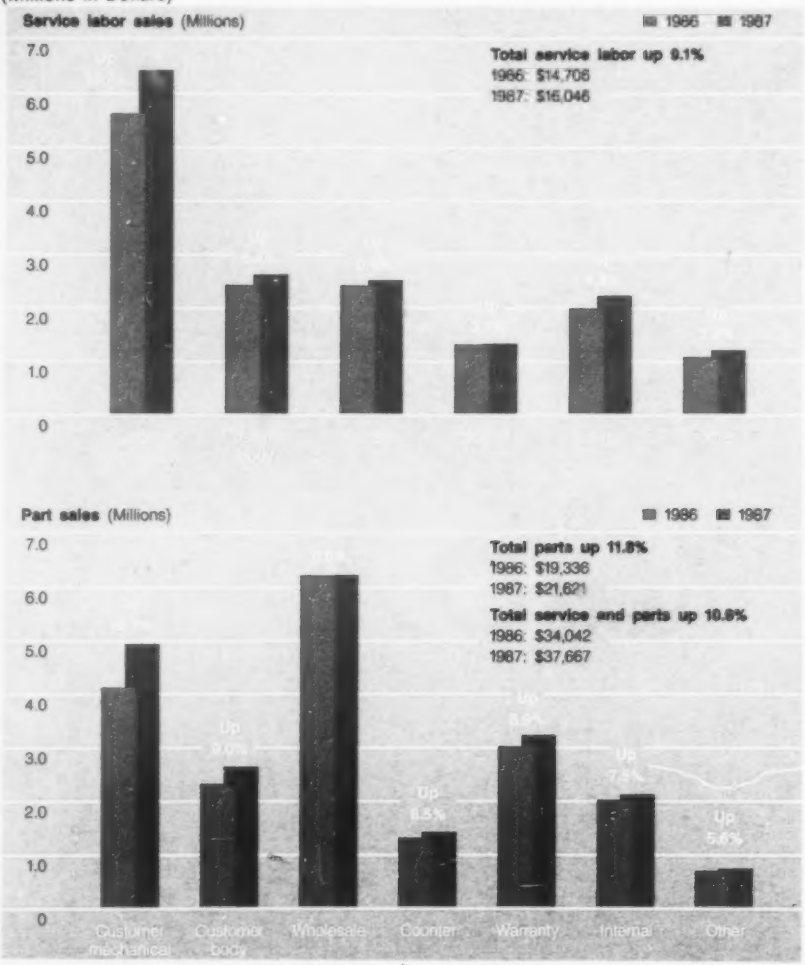
Service Labor Sales	Millions of Dollars
Customer Mechanical	6,370
Customer Body	2,551
Warranty	2,519
Sublet	1,284
Internal	2,166
Other	1,155
Total Service Labor	16,046
Parts Sales	
Customer Mechanical	4,886
Customer Body	2,551
Wholesale	6,218
Counter	1,427
Warranty	3,243
Internal	2,140
Other	735
Total Parts	21,621
Total Service & Parts	**$37,667**

FRANCHISED NEW-CAR DEALERS' SERVICE AND PARTS SALES

Year	Millions of Dollars	Percent Change
1977	$18,526	10.8
1978	20,462	10.5
1979	23,142	13.1
1980	22,703	– 1.9
1981	23,116	1.8
1982	24,447	5.8
1983	26,363	7.8
1984	29,820	13.1
1985	32,078	7.6
1986	34,042	6.1
1987	37,664	10.6

FRANCHISED NEW-CAR DEALER SERVICE AND PARTS

(Millions in Dollars)



As shown in the chart below, franchised dealers make a substantial investment in the service and parts business in order to maintain customer satisfaction. In 1987, franchised dealer provided 355,000 service stalls, employed 221,860 mechanics, and carried a parts inventory of over $4 billion.

PROFILE OF THE FRANCHISED DEALER'S SERVICE AND PARTS OPERATION

	Average dealership	All dealers
Total service and parts sales	$1,502,174	$37.7 billion
Total gross profit as percent of service and parts sales	38.5%	
Total net profit as percent of service and parts sales	1.9%	
Total number of repair orders written	7,625	191 million
Total service and parts sales per customer repair order	$145	
Total service and parts sales per warranty repair order	$105	
Number of mechanics	9	221,860
Number of service bays (excluding body)	14	355,000
Total parts inventory	$172,000	$4.3 billion
Average customer mechanical labor rate	$34	

EMPLOYMENT AND PAYROLLS

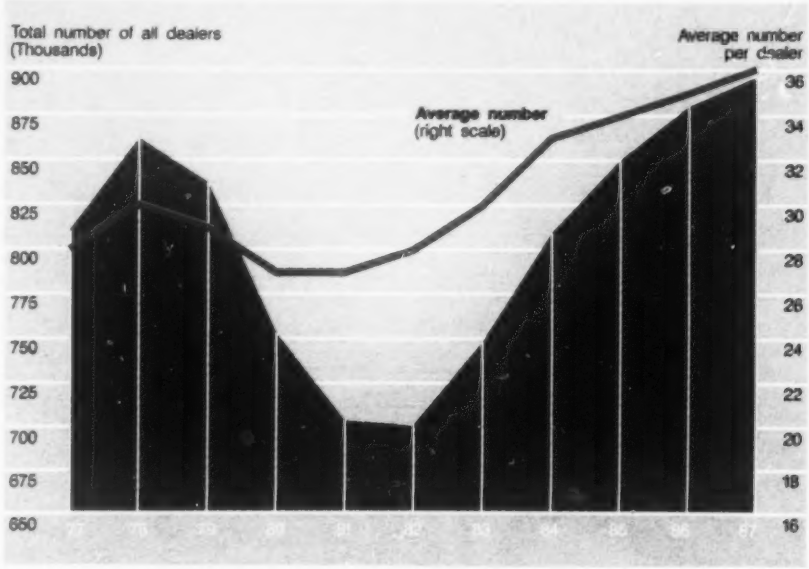
Dealerships are often one of the major employers in their local communities; therefore, the increases in dealership payrolls have been a significant factor behind this nation's sustained economic growth. Over the past five years, total dealership employment has risen 27 percent, which represents the creation of over 192,000 new jobs.

The number and type of employees varies significantly among dealerships depending upon dealership characteristics such as size, location, primary make, and the distribution of sales among departments. It is estimated, however, that the total employment count of all dealerships in 1987 was distributed as follows:

New and used salespersons	189,655
Mechanics	221,860
Service and parts workers (other than mechanics)	238,860
Supervisors, general office workers, and others	244,225
Total	894,600

The average dealer in 1987 employed 36 persons and had an annual payroll of $865,000. The annual payroll of all dealerships totaled $21.6 billion and represented 12 percent of the total retail trade payroll in the nation.

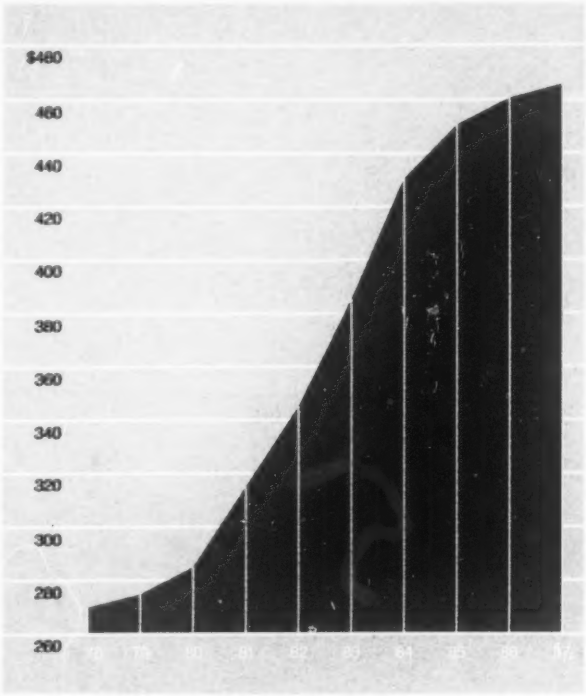
ESTIMATED NUMBER OF EMPLOYEES OF FRANCHISED NEW-CAR DEALERS



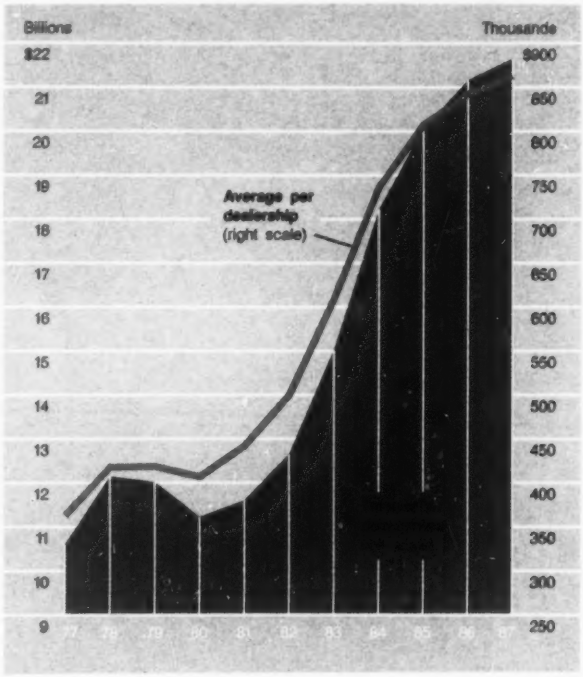
ESTIMATED NUMBER OF EMPLOYEES OF FRANCHISED NEW-CAR DEALERS 1987 AVERAGES BY STATE

	Total number all dealers	Average number per dealer		Total number all dealers	Average number per dealer
Alabama	13,920	38	Montana	3,255	20
Alaska	975	24	Nebraska	5,650	20
Arizona	13,715	62	Nevada	4,470	58
Arkansas	6,425	18	New Hampshire	5,415	30
California	100,050	54	New Jersey	28,665	36
Colorado	13,090	46	New Mexico	5,165	35
Connecticut	15,515	40	New York	46,355	33
Delaware	3,005	41	North Carolina	25,320	33
D.C.	625	62	North Dakota	3,105	20
Florida	52,865	57	Ohio	42,320	36
Georgia	25,910	40	Oklahoma	12,605	30
Hawaii	3,245	58	Oregon	11,340	36
Idaho	3,525	24	Pennsylvania	46,045	29
Illinois	38,490	31	Rhode Island	3,485	36
Indiana	19,640	28	South Carolina	11,900	35
Iowa	10,970	20	South Dakota	3,105	19
Kansas	9,035	23	Tennessee	18,745	41
Kentucky	11,370	31	Texas	54,315	36
Louisiana	13,540	35	Utah	5,105	33
Maine	5,190	25	Vermont	2,615	24
Maryland	21,480	56	Virginia	29,110	45
Massachusetts	25,475	41	Washington	14,820	38
Michigan	33,950	39	West Virginia	7,225	28
Minnesota	15,445	27	Wisconsin	18,700	25
Mississippi	7,840	25	Wyoming	1,955	24
Missouri	18,510	30	**Total U.S.**	**894,600**	**36**

AVERAGE WEEKLY EARNINGS OF DEALERSHIP EMPLOYEES



ANNUAL PAYROLL OF FRANCHISED NEW-CAR DEALERSHIPS



AVERAGE WEEKLY EARNINGS OF FRANCHISED NEW-CAR EMPLOYEES IN 1987

Alabama	418	Montana	364
Alaska	630	Nebraska	358
Arizona	518	Nevada	575
Arkansas	367	New Hampshire	459
California	567	New Jersey	526
Colorado	478	New Mexico	411
Connecticut	477	New York	472
Delaware	478	North Carolina	433
D.C.	508	North Dakota	373
Florida	515	Ohio	431
Georgia	479	Oklahoma	414
Hawaii	461	Oregon	423
Idaho	377	Pennsylvania	411
Illinois	489	Rhode Island	433
Indiana	415	South Carolina	406
Iowa	362	South Dakota	379
Kansas	394	Tennessee	430
Kentucky	378	Texas	476
Louisiana	405	Utah	428
Maine	380	Vermont	402
Maryland	497	Virginia	464
Massachusetts	472	Washington	482
Michigan	485	West Virginia	348
Minnesota	425	Wisconsin	396
Mississippi	385	Wyoming	399
Missouri	446	**Total U.S.**	**465**

Source: NADA Industry Analysis Division

ANNUAL PAYROLL OF FRANCHISED NEW-CAR DEALERSHIPS 1987 YEAR BY STATE

State	Total of all dealers ($ Millions)	Average per dealer ($ Thousands)	State	Total of all dealers ($ Millions)	Average per dealer ($ Thousands)
Alabama	300	811	Montana	62	376
Alaska	32	800	Nebraska	105	375
Arizona	370	1,682	Nevada	133	1,727
Arkansas	120	343	New Hampshire	129	709
California	2,945	1,588	New Jersey	785	976
Colorado	325	1,140	New Mexico	110	743
Connecticut	385	1,000	New York	1,135	802
Delaware	75	1,014	North Carolina	570	747
D.C.	16	1,600	North Dakota	60	377
Florida	1,415	1,530	Ohio	950	819
Georgia	645	985	Oklahoma	270	643
Hawaii	78	1,393	Oregon	250	794
Idaho	69	476	Pennsylvania	985	621
Illinois	975	780	Rhode Island	78	813
Indiana	425	607	South Carolina	250	740
Iowa	205	376	South Dakota	61	377
Kansas	185	474	Tennessee	420	923
Kentucky	225	616	Texas	1,345	888
Louisiana	285	740	Utah	114	731
Maine	103	502	Vermont	55	500
Maryland	555	1,449	Virginia	700	1,094
Massachusetts	625	1,016	Washington	370	949
Michigan	855	977	West Virginia	130	500
Minnesota	340	591	Wisconsin	385	524
Mississippi	155	492	Wyoming	41	400
Missouri	430	699	**Total U.S.**	**21,631**	**865**

Source: NADA Industry Analysis Division

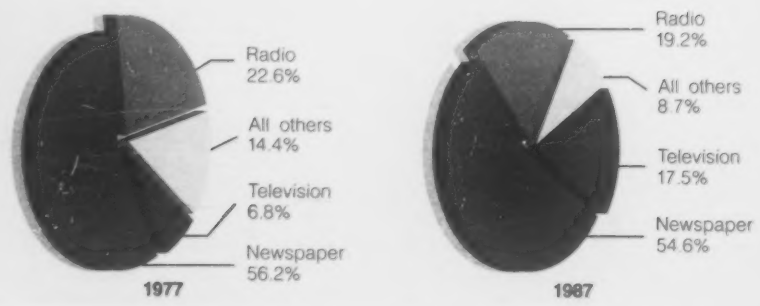
ADVERTISING AND THE FRANCHISED DEALERSHIP

In 1987, franchised new-car and truck dealers spent $3.5 billion on advertising—an increase of 11 percent from the 1986 level. Advertising expenditures as a percent of total sales, which averaged 0.8 percent during 1960 to 1979, has exceeded 1.1 percent in each of the last three years and, in 1987, reached a record 1.3 percent.

Large-volume dealerships, which typically operate in very competitive metro markets, have been the major contributors to these overall increases in advertising expenditures. Dealerships selling over 750 new units in 1987 spent nearly 1.4 percent of total dollar sales on advertising. In contrast, small-volume dealerships (those selling less than 150 new units per year) spent only 0.83 percent of total sales on advertising in 1987. Since large-volume dealership population now account for a greater share of the total dealership population than in years past, their increased advertising outlays have quickly pulled up the industry averages.

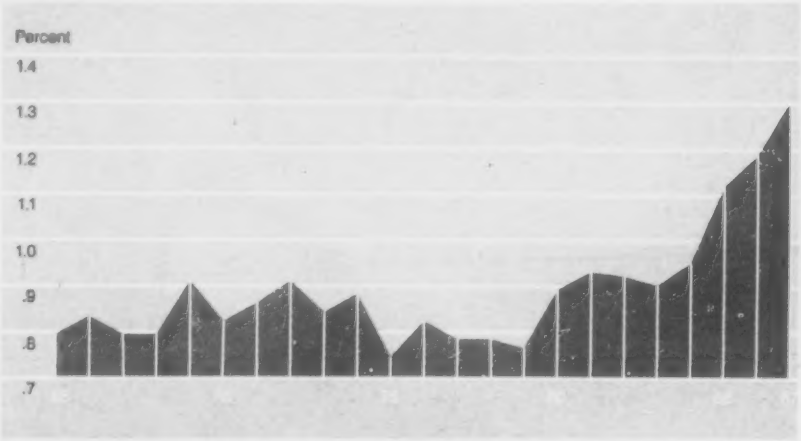
PERCENT OF TOTAL ADVERTISING EXPENDITURES

(Weighted Average of All Dealers)



DEALERSHIP ADVERTISING

(Advertising as a Percent of Total Dollar Sales)



ESTIMATED ADVERTISING EXPENSES PER DEALER IN 1987

Dealers Classified by the Number of New Units Sold in 1987

By media used	Average of all dealers	1-149	150-399	400-749	750 or more
Newspaper	$76,202	$11,309	$38,016	$84,975	$213,485
Radio	26,838	6,167	16,556	28,199	69,326
TV	24,466	1,643	8,632	24,000	78,992
Direct Mail	5,429	681	2,424	6,600	15,291
Outdoor	2,610	326	1,023	2,477	8,161
Programs	1,172	120	611	1,571	3,090
Handouts & handbills	377	89	172	242	1,188
Displays & demos	1,396	158	735	1,964	3,565
Other	1,074	257	501	1,012	3,052
Total	**$139,564**	**$20,750**	**$68,670**	**$151,040**	**$396,150**
Total advertising as a % of total sales	1.31%	0.83%	1.09%	1.28%	1.39%
Total advertising per new vehicle sold	$235	$166	$211	$242	$256

CONSUMER CREDIT

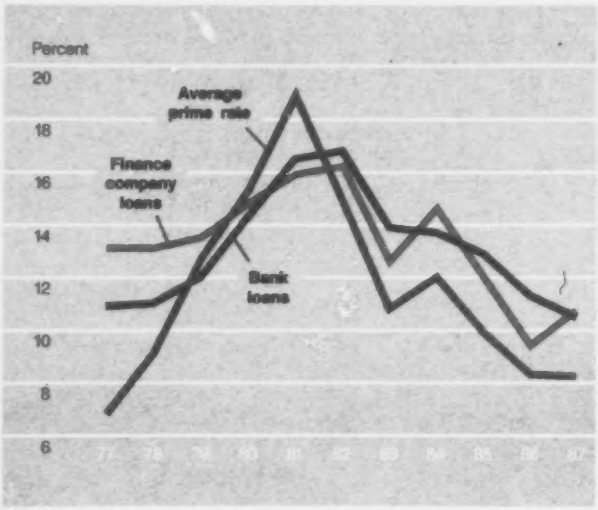
The manufacturers' captive finance companies offered fewer, and less generous, interest buydown programs in 1987. As a result, the average finance rate at banks fell. Another result of more modest buydown programs was that loan maturities resumed their rise. In 1987, the average finance company auto loan was for 53.5 months. By the second quarter of 1988, the average maturity was in excess of 56 months.

As shown in the lower chart, automobile paper accounted for a record 44 percent of all consumer installment credit outstanding.

AVERAGE MATURITY OF NEW-CAR LOANS AT FINANCE COMPANIES

1970	34.7 months
1975	37.6 months
1980	44.7 months
1985	51.5 months
1986	50.0 months
1987	53.5 months

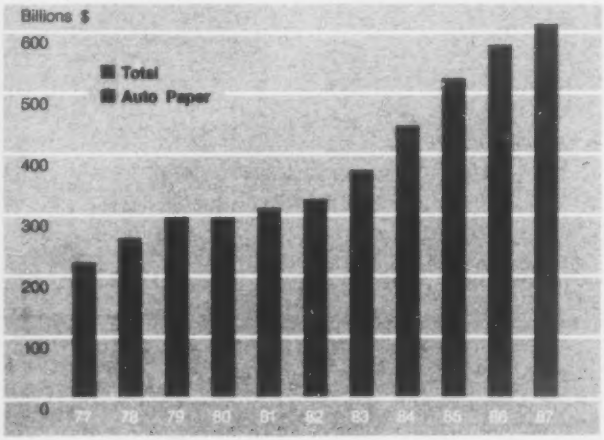
AVERAGE FINANCE RATE ON NEW-CAR LOANS



Note: Bank series represents an average of direct 36 month loans for the period 1977-1982. For 1983 through 1987, the bank series represents the average of direct 48 month loans. The finance company series represents the average of all loans made.

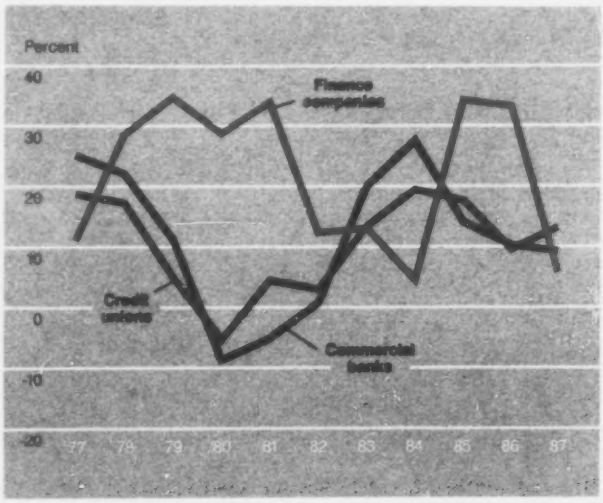
PERCENT CHANGE IN AUTOMOBILE PAPER OUTSTANDING

(By Type of Lender)



CONSUMER INSTALLMENT CREDIT OUTSTANDING

(End of Year; Seasonally Adjusted)



AUTOMOBILE PAPER OUTSTANDING BY TYPE OF LENDER

(End of year - seasonally adjusted - millions of $)

	Commercial banks		Credit unions		Finance companies	
	Total $ amount	% of total	Total $ amount	% of total	Total $ amount	% of total
1977	49,727	61.4%	17,946	22.2%	13,275	16.4%
1978	60,657	61.4%	21,032	21.3%	17,050	17.3%
1979	67,464	60.0%	22,063	19.6%	22,948	20.4%
1980	61,557	55.0%	20,876	18.6%	29,503	26.4%
1981	58,442	49.1%	21,036	17.7%	39,478	33.2%
1982	59,065	47.5%	20,855	16.8%	44,298	35.7%
1983	71,033	49.4%	22,713	15.8%	50,053	34.8%
1984	91,005	52.4%	30,448	17.5%	52,251	30.1%
1985	104,084	49.6%	36,025	17.2%	69,527	33.2%
1986	115,346	46.9%	38,413	15.6%	92,350	37.5%
1987	125,680	47.0%	43,474	16.3%	98,026	36.7%

Source: Federal Reserve Board

VEHICLES IN OPERATION AND SCRAPPAGE

During the past ten years, over 134 million new vehicles have been sold; however, the stock of vehicles in operation has increased by only 37 million units. The difference (97 million units) represents what, in the industry, is loosely termed "scrappage."

In addition to showing higher scrappage levels, the charts on this page indicate that the growth of vehicles in operation has continued to slow. Due to lower household formation rates, the stock of vehicles in operation is expected to show only modest growth in the years ahead.

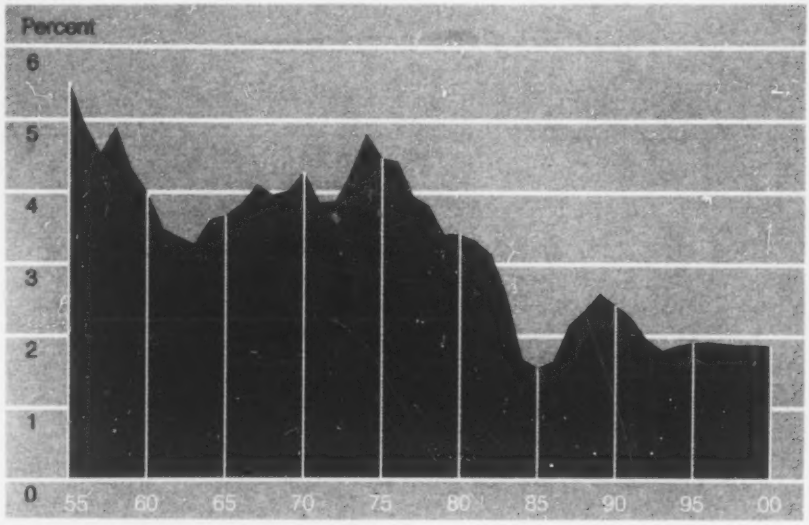
VEHICLES AND POPULATION

Year	Estimated Population Residing in U.S. (As of 1/1) (Millions)	Estimated Vehicles in Operation (As of 1/1) (Millions)	Persons Per Vehicle
1910	92.6	0.6	154.3
1920	106.8	9.0	11.9
1930	123.4	23.5	5.2
1940	132.1	28.4	4.7
1950	151.1	41.7	3.6
1960	179.4	66.4	2.7
1970	203.8	98.1	2.1
1975	214.9	122.1	1.8
1980	226.4	144.5	1.6
1985	237.5	156.1	1.5
1990	248.6	175.0	1.4
1995	258.6	190.0	1.4
2000	267.2	205.0	1.3

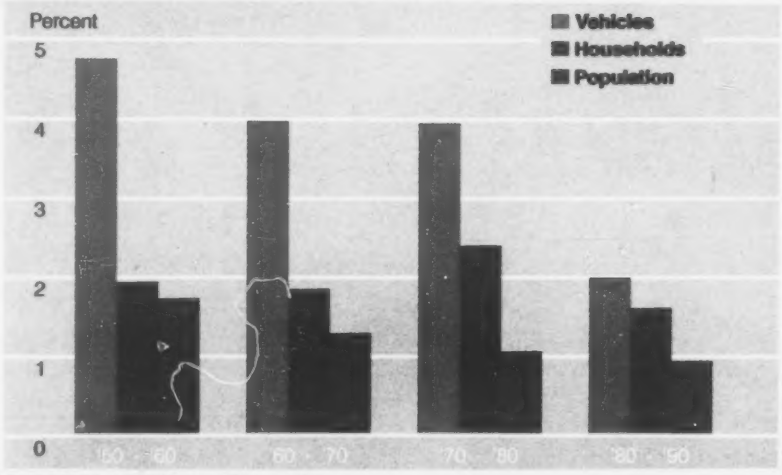
Source: U.S. Bureau of the Census and NADA Industry Analysis Division

GROWTH RATE OF VEHICLES IN OPERATION

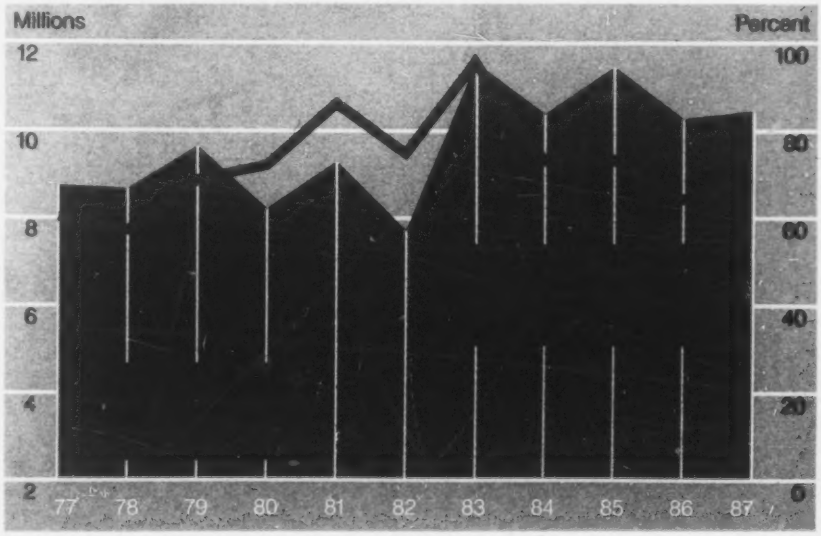
(Five-year Moving Average)



COMPOUND ANNUAL RATES OF GROWTH



ESTIMATED VEHICLE SCRAPPAGE



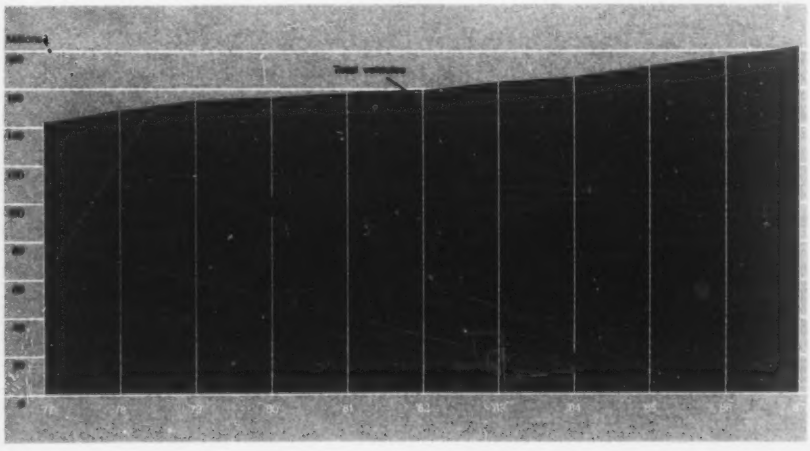
TOTAL REGISTRATIONS

TOTAL U.S. MOTOR VEHICLE REGISTRATION IN 1987

State	Autos	Truck & Buses	Total Vehicles*	State	Autos	Trucks & Buses	Total Vehicles*
Alabama	2,534,000	936,000	3,470,000	Montana	468,000	225,000	693,000
Alaska	233,000	138,000	371,000	Nebraska	871,000	435,000	1,306,000
Arizona	1,698,000	742,000	2,440,000	Nevada	581,000	231,000	812,000
Arkansas	952,000	507,000	1,459,000	New Hampshire	972,000	192,000	1,164,000
California	15,978,000	4,630,000	20,608,000	New Jersey	4,870,000	503,000	5,373,000
Colorado	2,016,000	753,000	2,769,000	New Mexico	894,000	513,000	1,407,000
Connecticut	2,496,000	162,000	2,658,000	New York	8,754,000	1,242,000	9,996,000
Delaware	386,000	106,000	492,000	North Carolina	3,585,000	1,349,000	4,934,000
D.C.	278,000	17,000	295,000	North Dakota	379,000	262,000	641,000
Florida	8,752,000	2,191,000	10,943,000	Ohio	6,730,000	1,474,000	8,204,000
Georgia	3,659,000	1,447,000	5,106,000	Oklahoma	1,893,000	1,041,000	2,934,000
Hawaii	640,000	95,000	735,000	Oregon	1,709,000	627,000	2,336,000
Idaho	536,000	322,000	858,000	Pennsylvania	6,267,000	1,457,000	7,724,000
Illinois	6,084,000	1,325,000	7,409,000	Rhode Island	544,000	108,000	652,000
Indiana	3,241,000	1,084,000	4,325,000	South Carolina	1,782,000	587,000	2,369,000
Iowa	1,890,000	733,000	2,623,000	South Dakota	412,000	266,000	678,000
Kansas	1,518,000	685,000	2,203,000	Tennessee	3,298,000	858,000	4,156,000
Kentucky	1,838,000	907,000	2,745,000	Texas	8,495,000	3,926,000	12,421,000
Louisiana	1,868,000	963,000	2,831,000	Utah	760,000	365,000	1,125,000
Maine	694,000	222,000	916,000	Vermont	326,000	113,000	439,000
Maryland	2,830,000	621,000	3,451,000	Virginia	3,711,000	1,007,000	4,718,000
Massachusetts	3,430,000	497,000	3,927,000	Washington	2,716,000	1,190,000	3,906,000
Michigan	5,493,000	1,446,000	6,939,000	West Virginia	826,000	369,000	1,195,000
Minnesota	2,400,000	707,000	3,107,000	Wisconsin	2,402,000	719,000	3,121,000
Mississippi	1,374,000	424,000	1,798,000	Wyoming	237,000	180,000	417,000
Missouri	2,741,000	1,049,000	3,790,000	**Total U.S.**	**139,041,000**	**41,948,000**	**180,989,000**

*Total Vehicles Excludes Motorcycles (5,148,000)
Source: U.S. Department of Transportation, Federal Highway Administration

TOTAL U.S. MOTOR-VEHICLE REGISTRATIONS



THE FRANCHISED NEW-TRUCK DEALER

Total new-truck sales reached a record 4.9 million units in 1987 as virtually all classes contributed to the increase.

An impressive 9.1 percent gain in medium- and heavy-truck sales significantly improved the financial profile of the average truck dealership in 1987. According to NADA's American Truck Dealers'division, total dollar sales for the average dealership rose 21 percent to $16.4 million. Profits grew as well, with average gross up 10 percent and net profit up 22 percent.

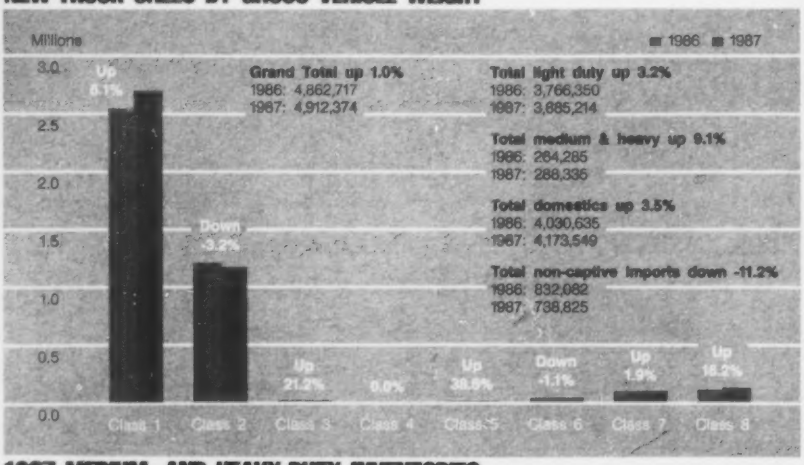
Truck dealerships continued to rely heavily on their sevice and parts operations in 1987. While accounting for just 27 percent of total dealership dollar sales, service and parts provided 71 percent of total dealership profits last year.

NEW-TRUCK SALES

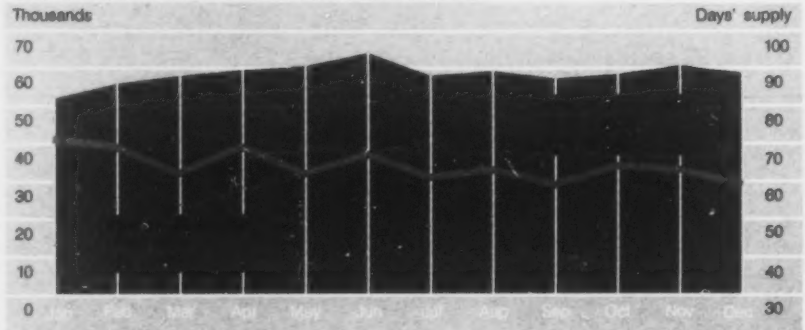
Trucks are classified by gross vehicle weight into eight categories as listed below.

1 . . . . . 0-6,000 lbs.
2 . . . . . 6,001-10,000 lbs.
3 . . . . . 10,001-14,000 lbs.
4 . . . . . 14,001-16,000 lbs.
5 . . . . . 16,001-19,500 lbs.
6 . . . . . 19,501-26,000 lbs.
7 . . . . . 26,001-33,000 lbs.
8 . . . . . 33,001 lbs. and over

NEW-TRUCK SALES BY GROSS VEHICLE WEIGHT



1987 MEDIUM- AND HEAVY-DUTY INVENTORIES



	Medium Heavy-Duty	
	Number	Days' Supply
1987 Average	58,610	84
1986 Average	55,703	86

Note: Days' supply is calculated by dividing inventories by the daily selling rate

AVERAGE FINANCIAL PROFILE

Medium- and Heavy-Duty Truck Dealerships	1987	1986	% CHANGE
Total dealership sales	$16,350,000	$13,530,000	20.8%
Total dealership gross	2,263,200	2,054,400	10.2%
as % of total sales	13.8%	15.2%	
Total dealership expense	1,965,600	1,810,800	8.5%
as % of total sales	12.0%	13.4%	
Net profit before taxes	297,600	243,600	22.2%
as % of total sales	1.8%	1.8%	
New vehicle dept. sales	9,894,000	7,611,600	30.0%
as % of total sales	60.5%	56.3%	
Used vehicle dept. sales	1,599,000	1,441,200	11.0%
as % of total sales	9.8%	10.7%	
Service and parts sales	4,477,200	4,225,200	6.0%
as % of total sales	27.4%	31.2%	

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NADA DATA is prepared by NADA's Industry Analysis Division. For further information or to order additional copies ($10 apiece), please call (703) 821-7088.

1987 Industry Highlights

*Number of franchised new-car dealerships (year end)	25,000
*Total dollar sales	
All dealerships	$267.1 billion
Average dealership	$10,653,719
*Number of new cars sold	
All dealerships	10,277,949
Average dealership	410
*Total employment	
All dealerships	895,000
Average dealership	36
*Total annual payroll	
All dealerships	$21.6 billion
Average dealership	865,000
*Total advertising expenditures	
All dealerships	$3.5 billion
Average dealership	$139,564
*Number of vehicles in operation (year end)	170,563,000
*Number of medium- and heavy-duty trucks sold	288,335

National Automobile Dealers Association
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